

Accountability Report Transmittal Form

Agency Name - South Carolina Department of Revenue

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Agency Director - Elizabeth Carpentier

Agency Contact Person – Suzie Rast

Agency Contact's Telephone Number – 803-898-5450

S.C. Department of Revenue Accountability Report 2001 - 2002

I. Executive Summary

Year	Appropriation	Enforced \$	%Enforced Increase	Returns/ Filed FTE	EEO Rank	Refund Time	DOR Coll.	\$Collect/ Filed FTE	Cost of Collect/\$1	FTEs Auth'd.	\$ Set Off
(Measure)	(Millions)	(Millions)	I			(Days)	(Billions)	(Millions)			(Millions)
1990	37.50	127.10	30.09%							871	
1991	36.50	128.00	0.71%	5207			3.70		\$0.010163	871	
1992	36.10	149.50	16.80%	5531			3.75	\$4.52	\$0.009776	838	\$11.50
1993	35.50	156.20	4.48%	5586			4.00	\$4.69	\$0.009089	836	\$16.00
1994	35.60	171.00	9.48%	6195			4.35	\$5.31	\$0.008732	799	\$21.70
1995	36.90	183.60	7.37%	6212			4.59	\$5.48	\$0.008512	837	\$30.00
1996	36.10	186.70	1.69%	6993			4.97	\$6.48	\$0.008512	837	\$40.60
1997	37.00	251.00	34.44%	7346			5.27	\$7.03	\$0.007647	742	\$43.50
1998	37.10	274.00	9.16%	7566			5.50	\$7.41	\$0.007662	750	\$48.20
1999	38.20	273.00	-0.36%	7792	39	31.81	6.07	\$8.05	\$0.007000	754	\$47.00
2000	39.20	313.50	14.84%	7988	12	26.66	6.37	\$8.45	\$0.007081	754	\$47.00
2001	**34.00	326.80	4.24%	8227	5	36.03	6.473	\$8.57	\$0.007000	755	\$49.00
2002	**34.90	331.70	1.44%	8748	1	30.85	6.29	\$11.76	\$0.006800	750	\$58.00

** Please see page four for explanations.

Mission and Values: The mission of the Department of Revenue continues to be to administer the revenue and regulatory laws of this state in a manner deserving the highest degree of public confidence in our integrity, effectiveness, and fairness. To accomplish this mission, the South Carolina Department of Revenue will:

- Administer revenue and regulatory laws in a fair and impartial manner;
- Collect the revenue due the state;
- Recommend improvements to the laws administered;
- Ensure a professionally-trained staff of employees;
- Continually improve the quality of services and products; and
- Provide guidance to foster compliance with revenue and regulatory laws.

The values of our department are: Customer Focus; Equal Treatment; Integrity; Accountability; Continuous Improvement; Informed Decision Making; Knowledge; Teamwork; Open Communication; and Recognition.

Key Strategic Goals – Our strategic plan

focuses our efforts in four Key Results areas with associated strategies. These are:

Maximized Compliance

- Provide quality customer service
- Educate individuals, businesses, and tax professionals on regulatory, filing, and payment requirements.
- Reduce the stress, time, and cost of compliance by simplifying forms and instructions.
- Promote voluntary compliance with focused innovative enforcement.
- Work cooperatively with the Legislature to develop fair and simple tax laws..
- Use advancing technology to develop convenient alternatives for filing and payment.

Objectives for Maximizing Compliance:

- 1.1 Reduce nonfilers (5 projects)
- 1.2 Revolutionize reporting and payment (11 projects)

Strong Stakeholder Relationships

- Partner with stakeholders to understand and meet their expectations.

- Provide employees the tools, systems, and information to effectively perform their duties.
- Provide stakeholders the right information at the right time.
- Provide a variety of customer-friendly options to communicate effectively with stakeholders.
- Make processes streamlined, proactive, and responsive.
- Effectively market and promote Department of Revenue services available to stakeholders.

Objectives for Strengthening Relationships with Stakeholders:

- 2.1 Full service e-government (3 projects)
- 2.2 Stakeholder feedback system
- 2.3 Seamless internal processing systems

Effective and Efficient Agency and Enterprise Services

- Identify, prioritize, plan, and implement flexible, long-term agency and enterprise services.
- Administer and continuously evaluate services to ensure stakeholder needs are met while adhering to rules, regulations, and statutes.
- Continuously evaluate and implement innovative technology to improve the quality and speed of service delivery while minimizing cost.
- Evaluate, provide, and manage agency resources to include equipment, facilities, employees, services, and tools.
- Market services and communicate procedures and policies to educate stakeholders.

Objectives for More Efficient and

Effective Agency & Enterprise Services:

- 3.1 Align to Malcolm Baldrige Performance Excellence Standards
- 3.2 Technology Infrastructure: Analyze requirements and build it.
- 3.3 Implement state-enterprise-wide debt collection (GEAR)
- 3.4 Partner for a statewide integrated financial package capable of activity based costing and e-forms across systems.
- 3.5 Exercise core competency in remittance processing to become statewide enterprise provider.
- 3.6 SCBOS: Drive implementation of multi-agency single point business registration system.

Capable, Satisfied, and Diverse Work Team

- Provide forward-thinking leadership that is creative, clear, innovative, and demanding of excellence.
- Actively recruit and employ highly-qualified, diverse individuals who are committed to providing public service.
- Provide competitive compensation and recognition systems which thank employees for their individual and team efforts and encourage innovation.
- Provide comprehensive, meaningful employee training and knowledge management systems that use up-to-date techniques and technology.
- Ensure a flexible organizational culture that promotes high performance, lifelong learning, and employee satisfaction in a safe work environment.

Objectives for maintaining a capable, satisfied and diverse work team:

- 4.1 Recruit, retain, and train the best.

- 4.2** Align all positions, performance review, measurement, and rewards to the strategic plan.

Opportunities and Barriers:

Opportunities

- RIF (Reduction in Force) required greater focus on mandated tasks
- Succession planning implemented (100+/500)
- Keeping customers satisfied despite fewer offices and personnel created opportunities to overhaul our service delivery strategies.
- Telecommuting provides an avenue to keep expertise and provide for greater productivity
- Focus on measurement refinement
- New legislation allowing collection of fees, sales tax holiday, tax reprieve.
- GEAR, Computer Aided Mass Appraisal and Business One Stop provides partnering opportunities
- Participation in DMH's implementation of statewide financial package with SAP
- Increased office audit personnel by eight with \$1.5 million in collections
- Outside collections increased through stronger supplier partnerships.
- Reduced travel budget created focus on electronic audit and collection techniques, proper allocation of work to outside collectors, and renewed focus on return-on-investment.
- Focus on mandates brought innovations, compilation of procedures manuals, and streamlined processes.

Barriers

- Customer inhibitions to participation in GEAR, SCBOS, and CAMA

- RIF – (106 staff) and termination of probationaries (10 staff) and temporaries (55) loss of employees and knowledge
- ** Explanation from Executive Summary Chart - Budget cuts of \$6.5 million and \$1.4 million to base appropriation, additional cut of \$.8 million and loss of \$.8 million in carry forward funds, totaling over \$9.5 million in FY 02. (24% of FY 01 appropriation.)
- Budget reduction change management required accumulating vacancies (90) and offering retirement and separation incentives (37) which increased workloads for remaining staff.
- Lack of pay increases and level of stress have resulted in some employees leaving
- Loss of expertise/knowledge and future leaders as a result of RIF/TERI (130 employees are or will be eligible for retirement/TERI by 12/31/03).
- Changed responsibilities, work territories results in an increased learning curve
- Morale
- Cycle time increases
- Reduced participation in national forums creates less knowledge about national trends and innovations.
- Collection/audit travel dollars reduced as a budget management measure
- Increased workload results in increased stress
- State procurement rules inhibit supplier partnering

Major Achievements from Past Year:

During FY 01 – 02, the Department of Revenue completed its second year of

progress under this strategic plan. We continue to monitor the Budget Reduction Change Management Plan implemented last year. The strategic plan and annual business plan help us maintain focus on our major goals and objectives. The strategic planning objectives teams made substantial progress in FY 01 – 02 in benchmarking and best practices research, assessing our current status, analyzing resource requirements and barriers, and staging of implementation for improvement or innovation. Significant achievements this year are (see this section's list of objectives for numeric references):

1.1 Nonfilers: In the individual income tax nonfiler area, we issued assessments in excess of \$600,000; in the use tax area we continue to exchange information with the other Southeastern Association of Tax Administrators (SEATA) states on a monthly basis. We have issued 234 assessments totaling \$130,396 and collected \$45,881; Nexus and Discovery Unit efforts included 534 nexus questionnaires establishing nexus on 87 companies during FY 01-02. One-hundred and forty-nine companies have registered resulting in collections of \$4,884,698. The Use Tax line for individuals on the individual income tax return resulted in an increase in filings from \$77,373 to \$461,000.

2.1 Promote eGov and eBiz: Since its implementation in October 2001, our Contact Center has handled over 250,000 calls, 20,000 pieces of correspondence, and set up over 400 payment plans totaling over \$600,000. Web access to taxpayer account information ("My Taxes") is in the initial stages of design and development. Goals have been established for completion of web related projects over the next three years. Eight counties have signed participation agreements for CAMA (Computer Assisted Mass Appraisal). All counties have received

some training on the CAMA system and a users group has been established. A team of DOR staff and customers identified all issues remaining to full implementation and an assessment team is being deployed to each county customer. DOR has formed a partnership with the state CIO, the Election Commission, judicial, and county governments to establish a technology infrastructure for connectivity. Connectivity will provide the needed CAMA access as well as addressing the needs of the other entities.

3.2 Upgrade Technology Infrastructure: The Information Resource Management department completed its strategic plan beginning with a vision for the future that is "taxpayer-centric systems." It describes meeting the challenges of increasing demand for technology solutions, and is organized according to the seven Malcolm Baldrige criteria for organizational excellence.

3.3 Governmental Enterprise Accounts Receivable Collections (GEAR) To date eighteen entities with debts totaling \$12,712,354.15 have contracted and submitted debts for GEAR collections.

3.5 The new Viking Data Entry System (VDE) was installed and the first screens were moved to production on October 15. Of the 353 REI screens, only 210 screens will be created in Viking. With the software enhancements, we have eliminated the need to have multiple screens for the same return/document. In addition, all scanner jobs have been converted to process through Viking. We are taking the "once and done" approach so that documents are not handled over and over. In addition, we want to ensure the integrity of data and accurate processing of the return first time through in order to eliminate errors on the backend

process.

3.6 The new SCBOS (South Carolina Business One Stop) site format has been updated and simplified to make navigation user-friendlier. The DOR continues to participate in a national effort to simplify business registration for the business owners (EIN – Over the Internet). The website will be improved by making links to local, state and federal governments as these sites become available. The DOR and the Employment Securities Commission (ESC) have begun efforts to establish a joint electronic registration. The work with ESC began in April and the target for implementation is later this fiscal year.

4.1 A reduction in force, affecting 104 employees, was implemented on August 14, 2001. Our efforts to help these RIF'd employees find new jobs (both State and private) have been successful. We are continuing these efforts. Strategic gains in underutilized areas resulted in an increase in the Agency EEO parity rate. DOR was ranked #1 among agencies our size and fifth overall in the EEO report submitted to the Legislature.

Utilizing technology is a prime focus for the Department. E-learning through SmartForce and building a “digital library” for training materials complement the existing technical courses offered online. Progress continues to be made in creating our DOR Electronic Encyclopedia (DOREE). Creating an electronic meeting/classroom environment is an initiative under research. A WebEx interactive web meeting environment has

been identified as a cost-effective method of sharing material with DOR regional offices – specifically real-time PowerPoint presentations, at no additional cost to the Department.

With the Reduction in Force (RIF), Retirement Incentives and Separation Incentives, we coordinated training by an outplacement firm to teach our managers how to deliver the RIF message to affected employees. We coordinated three Job Search and Resume Writing classes and six Interviewing Skills training classes for those affected by the RIF. To help those staying after the RIF as well those who were being laid off, we conducted sessions of a class called Change:Managing the Journey. To improve climate, we conducted several sessions around the “FISH!” philosophy for choosing a fun, customer-focused attitude in the workplace.

We also continue our Executive Development classes and other managers/supervisors are invited to attend these meetings.

II. Business Overview

As of the end of FY 01-02, the department had a total of 750 authorized full-time permanent slots. Of those, 729 are state funded and 21 are other-funded. Only 534 positions are filled, leaving 216 positions vacant. These employees work in five offices throughout South Carolina and five major metropolitan areas across the United States. Our permanent workforce has been supplemented by approximately 75 non-seasonal temporaries and up to 125 seasonal temporary employees during peak months.

Accountability Report Appropriations/Expenditures Chart Example

Use the chart for Section II Business Overview Item 3 in the accountability report.

Base Budget Expenditures and Appropriations

	00-01 Actual Expenditures		01-02 Actual Expenditures		02-03 Appropriations Act	
Major Budget Categories	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$28,545,693	\$27,169,089	\$24,125,880	\$22,989,256	\$24,418,529	\$23,294,309
Other Operating	\$13,033,871	\$6,985,374	\$11,347,806	\$3,357,199	\$11,195,397	\$5,153,445
Special Items	\$1,130,973	\$5,973	\$1,125,000	\$0	\$1,125,000	\$0
Permanent Improvements	\$0	\$0	\$65,000	\$50,000	\$0	\$0
Case Services	\$0	\$0	\$0	\$0	\$0	\$0
Distributions to Subdivisions	\$0	\$0	\$0	\$0	\$0	\$0
Fringe Benefits	\$7,463,322	\$7,262,238	\$6,483,003	\$6,288,794	\$6,728,213	\$6,481,220
Non-recurring	\$74,859	\$74,859	\$0	\$0	\$0	\$0
Total	\$50,248,718	\$41,497,533	\$43,146,689	\$32,685,249	\$43,467,139	\$34,928,974

Other Expenditures

Sources of Funds	00-01 Actual Expenditures	01-02 Actual Expenditures
Supplemental Bills	\$29,867	\$0
Capital Reserve Funds	\$0	\$0
Bonds	\$0	\$0

Our major customers are all those who use the state revenues we collect. A full listing of our customers/stakeholders is shown in Category 3.1.

Our key suppliers are the citizens of South Carolina who supply us with tax revenues and information. We also rely on the Employment Security Commission and other state and local governmental entities, to supply required information. The Budget and Control Board – Office of Information Resources is a major supplier of technology infrastructure for the department.

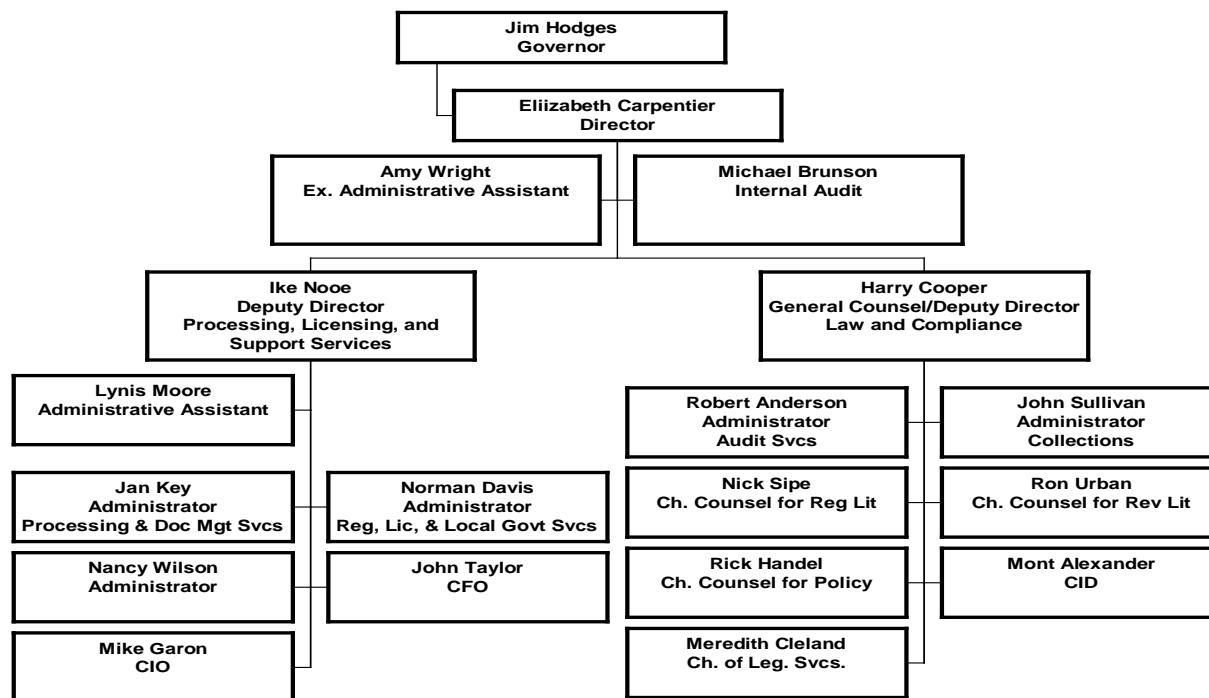
Traditional suppliers include Dell Computers, forms manufacturers, and other suppliers of supplies and services.

The South Carolina Department of Revenue is also a regulatory agency. We administer 32 state taxes and numerous fee, credit, and exemption programs. The department also regulates and licenses retail establishment, bingo operations, and alcoholic beverage sellers. The department is in direct contact with nearly every South Carolina resident and many non-resident taxpayers and

corporations. We therefore manage our enterprise in a customer-focused, fair, and efficient manner.

organizational structure is shaped around core business competencies and support functions. The chart below shows that structure and leadership.

Organizational Structure: Our



III. Malcolm Baldrige Performance Excellence Standards Leadership

1.1a - f Senior leadership in the Department consists of the Director, Elizabeth Carpentier, two deputy directors and administrators of each of the major operating units. (A third deputy position was vacated in December 2001; those operation divisions were reallocated in May 2002 to the remaining two deputies.) The agency's leadership sets, deploys, and communicates direction through the strategic planning process, the annual business planning component of that process, and the five-year business plans developed for agency level objectives. We just completed our second

year of the five-year plan. All of these elements are tied to the agency's four key results detailed in the Executive Summary.

1.2 In FY 01-02, the leadership continued its focus on both internal and external customers by supporting activities for progress on our 13 major goals and the various underlying projects that are tracked at the agency level. These goals, objectives, and projects are tied numerically to the four key results of the strategic plan. Agency-level performance measures are likewise numerically tied to the key results. Management meets each Monday morning for reporting on these and other issues by one of our operational divisions. A standard agenda (Fig. 1.2.1) shows the reporting structure.

S.C. Department of Revenue Accountability Report 2001 - 2002

AGENDA

1. Division
 - a. “Canary” performance measures:
 - i. What is measured?
 - ii. How are those measures used to manage the division?
 - iii. What specification measures are there, and how is the division doing related to those measures?
 - b. Succession & HR Issues: TERIs, resignations, recall, new hires, OJT, coaching, XD, EPMS reviews.
 - c. Good news from the Division: quality improvement teams, brag opportunities, successes.
 - d. Heads up: relevant issues within the division.
 - e. Goals: what are the division’s goals for the year, and are we going to make them by 6/30? Goals for 6/30/03?
2. Annual Business Plan Objective Team
 - a. Update on current status.
 - b. Goals for the next three years.
 - c. Update to the 5-year plans.
3. Performance Measures
 - a. Pick a few measures each reporting period to give extra detail on:
 - i. Why do we measure this?
 - ii. What should our specification measure or our goal measure be?
 - iii. What can we do to improve performance and/or meet specs/goals?
 - iv. How have we done in the past and are we improving?
 - b. Others: where we are YTD.
4. Around the table:
 - a. Significant changes that might affect other divisions.
 - b. Hot topics that can’t wait.
5. Other business

Fig. 1.2.1

Month-end performance is also scheduled for regular review by the management team. Progress on each annual business plan objective is compiled and reported quarterly.

1.3 This year, our goal was to establish a set of high level measures (dashboard measures) that are reported on a monthly basis. The set of these measures are listed in 4.1.

Additional measures are reviewed at the deputy and division level. Performance measures track processes that are “out of control,” monitor improvement, track performance to specifications, and indicate processes needing change.

1.4 Immediately prior to our RIF, the Director and Deputies launched the “Next Steps” Process. Work groups identified statutory mandates, the processes supporting those mandates, the employees capable of handling those tasks, and the recommendations for improvement or change. Those recommendations were presented by the 50 work groups to the Director and Deputies. These Next Steps sessions allowed the Director to “touch” every single employee in the organization and were designed to obtain and document the massive amount of information from all work teams on all of the tasks performed at DOR. This process allowed management to get a greater understanding of not only what the tasks were, but was used as a method to

enhance their own skills and abilities to manage to priorities. The process resulted in The DOR Manual which holds a complete documentation of mandates, processes, organizational charts, and process improvement opportunities.

Our Executive Development process continues this year in a further effort to improve leadership effectiveness. We also participate in the Certified Public Manager and Associate Public Manager programs as well as the Governor's Excel program, and the Executive Institute.

Our values represent our guiding principles or the things about which we care most as we carry out our mission. Senior leadership not only models these beliefs, but also clearly and consistently articulates these values throughout the organization. Our intent is to demonstrate these beliefs in all our dealings with our external and internal customers.

Our senior leaders have been trained in fourth generation quality management principles, team leadership, and Baldrige criteria. Leaders "walk the talk" through participation in training and teams using the quality tools and process. Management has set a target for suggestions, implemented a web-based suggestion form, and solicited ideas for cost reductions from all employees. Our BruTE Force process garnered us the "Friend of the Taxpayer" Award in May of this year. Also in May, the entire management of the organization spent two days in sessions on leadership presented by Chuck Farrell, product definition training presented by Ken Miller, and various breakout sessions.

1.5 Current and potential impact on the public for our products, programs, services, facilities, and operations to include

associated risks have been integrated into our strategic planning process. See Category 2.

1.6 Priorities for improvement are also determined by our strategic plan, performance measures, and subsequent annual objectives that tie to overarching five-year plans. See Category 2.

1.7 The department demonstrates its public responsibilities and practices good citizenship in many ways. Public trust is a vital component of maintaining high levels of voluntary compliance with the state's tax laws. We assure ethical business practices proactively through policy and training. Several teams work annually (1) to ensure compliance with implementation of new statutes; (2) to identify suggested improvements to the laws; and (3) to communicate advisory opinions and regulations to assist taxpayers. Direct e-mail, the Problems Resolution Office, monthly interviews, and the Taxpayer Advocate are avenues for citizens to resolve concerns. In October, 2001 we implemented our Contact Center that is the centralized area to not only help the taxpayer but to gain invaluable input to processes of the agency. We continue to train our Contact Center employees and see this as an integral part of the agency's listening and learning approach to gain input from the community at large.

The department continues to be a leader in the government community. The GEAR (Government Enterprise Accounts Receivable) and SCBOS (SC Business One Stop) processes are but a couple of examples in which we have taken the leadership role. We have maintained a leadership role in the development of the Integrated Financial System which we plan to implement in DOR when resources become available. On the state level, our employees lead or participate

in multi-agency teams to improve the processes of government. We have trained not only our employees, but also many from other agencies. We regularly facilitate teams in other agencies. We are actively involved with professional groups in leadership roles, such as the Federation of Tax Administrators (FTA) Best Practices and Benchmarking Team. Ms. Carpentier serves on the Board of FTA; Chair., Enterprise Zone Subcommittee; Coordinating Council for Economic Development; Member, South Carolina Board of Economic Advisors; Board member, South Carolina Agency Directors Organization; South Carolina Circuit Court Arbitrator Certification Training (February 2002); and Chair, 2001 United Way State Government Campaign. These collaboration efforts not only help us identify best practices, but also to give us the opportunity to be a partner in continuously improving all governmental services for our citizens.

We partner with business groups, such as the State Chamber of Commerce, Municipal Association, Association of Counties, and the Small Business Chamber on joint projects. Our collaboration with state partners includes the Departments of Transportation, Health and Environmental Control, Commerce, Labor, Licensing and Regulation, and the South Carolina Education Lottery to name but a few. We regularly serve as a pilot site with the Internal Revenue Service to bring taxpayer friendly programs to South Carolina citizens, such as issuing federal employer tax identification numbers. We frequently

are called upon to make presentations to a wide variety of audiences about both taxation and our quality leadership approach.

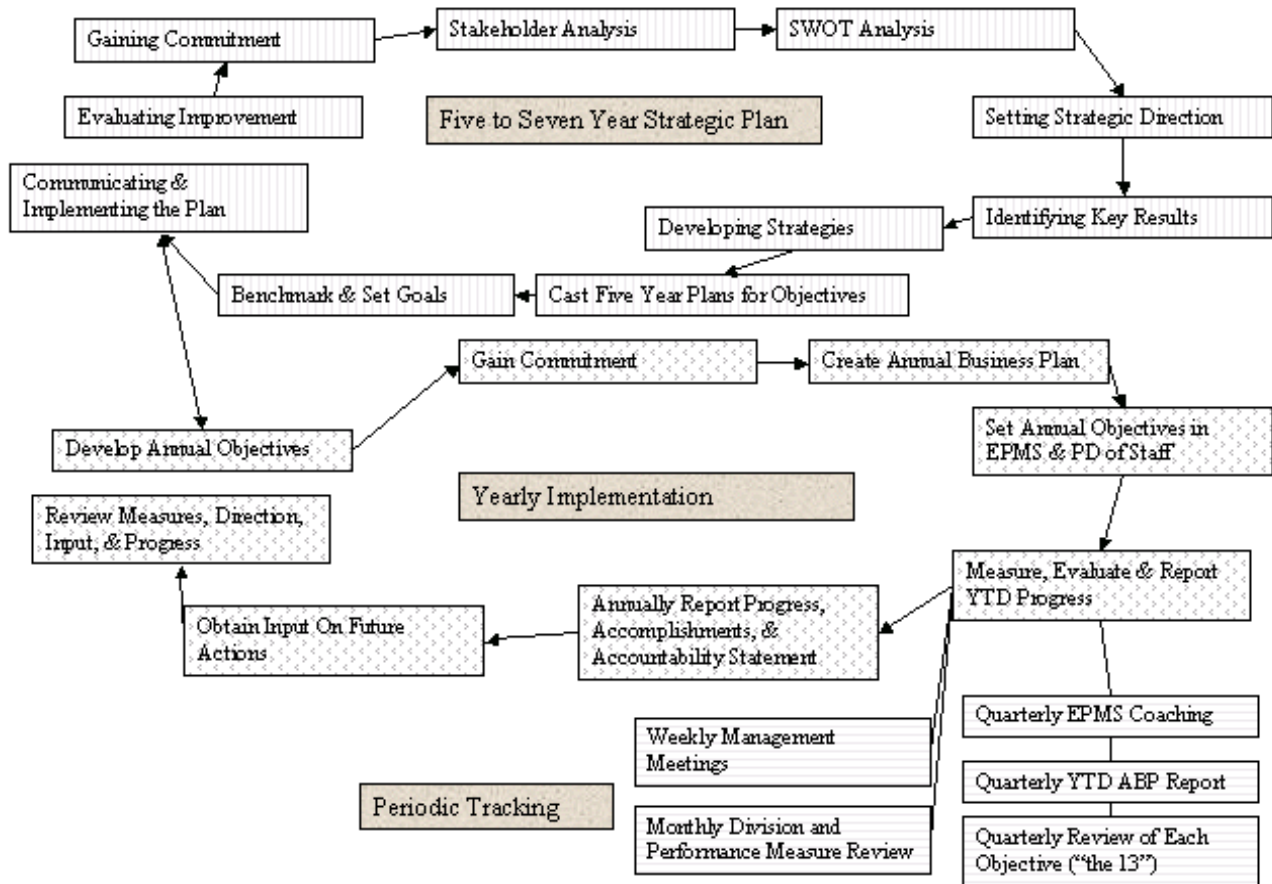
Our agency actively supports other community groups, such as the United Way, the Good Health Appeal, United Black Fund of the Midlands, Cooperative Ministries, the Red Cross, Harvest Hope Food Bank, the Ronald McDonald House project, First Ladies' Walk for Cancer, and our community schools.

Strategic Planning

2.1 The department's strategic plan is the basis for both our long- and short-term planning processes. We continue with year two of our five year plan. Beginning July 1, 2002, our FY 02 – 03 process began. Our strategic planning process gives us a future-oriented basis for business decisions, resource allocation, and management and has helped us stay focused on those things that we determined were important and priorities for the agency.

We continue to keep focused on our customer and stakeholders through the research and analysis process which gathers input from employees, business and non-business taxpayers, elected officials from both state and local government, tax practitioners, media, other state agencies, government entities within the state, and professional associations. The graphic below shows our Strategic Planning cycle.

Strategic Planning Cycle



2.2 Each annual business plan objective is expressly tied to strategic objectives and key results under the strategic plan. They are tracked through: (a) rotating presentations of the 13 objectives at the Monday management meetings as described in Category 1.2; (b) quarterly year-to-date progress reports; and (c) monthly review of the dashboard measures which tie to our key results areas.

2.3 The plan is communicated in large group meetings with all employees and was reinforced by sectional meetings within each division. In addition, other types of communication include other media such as e-mail, brochures, posters, and through communicating Monday morning meeting minutes in our *This Week* publication.

Deployment of this plan involves all department employees. Each year each natural work team and project team sets objectives that target one or more of the strategies. This year, interdepartmental teams were cast to address improvements and innovations for the CAMA system and Alcoholic Beverage Licensing processes. Our Annual Business Plan addresses improvement opportunities at the team, operating division, and agency level. Progress is reported quarterly. Planning is an annual process that we believe not only aligns employee efforts with the issues of most importance to our agency, but also helps us monitor progress and use resources wisely. We have supplemented the annual business planning cycle with a five-year planning process that better ties the strategic key results with our annual business

S.C. Department of Revenue Accountability Report 2001 - 2002

planning. Our five-year plans address 13 major initiatives we believe will focus our resources to better accomplish our key results for fiscal years 2001-2005. For new employees, an orientation session called “DOR-101” educates employees to the agency, the strategic plan, and the strategic planning process.

The significance of aligning individual duties and accountability to the strategic plan is underlined through explicitly tying job duties to key results on each employee’s position description and EPMS. In addition, quarterly coaching sessions occurred for each employee during the EPMS process. Part of that coaching includes reinforcement of the key results and the employee’s unique responsibilities that will help us better accomplish our mission.

Customer Focus

3.1 Through our strategic planning process and implementation, the agency’s key customers and stakeholders have been identified as those who use state revenues; the agencies that rely upon state revenues; individual and business taxpayers of the State; tax practitioners acting on behalf of those taxpayers; regulated businesses; statewide property taxpayers; local governments; elected officials; and federal, state and local governments. Below is a complete listing of our major customer groups and methods employed for building positive relationships.

All stakeholders

Publications: Revenews, brochures
Taxpayer Assistance Officers
Taxpayer Advocate
Taxpayer Education
Problems Resolution Office
Automated Tax Help Line
FormsFax and Web Forms
Email systems
Four Regional Offices

Satellite office hours at 24 locations in SC
Award-winning web site
TaxsmART
Summary of current year’s new tax legislation
Policy document listserve
MySCTaxes project 1.2
Experts on TV
Speakers Bureau/Public Speaking/Toastmasters
PATs system and expansion on electronic payments,
Direct Check, epay projects
Credit card payment options
Contact – Customer Research Center project

Elected Officials

Revenue collection and reporting
Legislative liaisons
Drafting assistance
Courtesy calls
Constituent services
Proactive response to issues
Survey

Other state agencies

Revenue collection and reporting
SCBOS
Tobacco settlement enforcement
JDC workshops with Commerce
MySCGov.com coordinating payment modules and publications
Dyed Fuel Program
Use Tax compliance information
Check stuffers at filing time
Seats in our training sessions
Statewide Training Coordinators Group
GEAR

Debt set-off program

Individual taxpayers

Forms drive through
VITA volunteers
Public access computers for online filing at each office
Publications for new residents, military, college tuition credits
SCNetFile, Telefile, web extensions and declarations
Local telephone numbers for telefile
Outreach to high schools, vocational schools, prisoners re: filing taxes
Fastfile outreach

Business taxpayers

Sales tax listserve
Workshops
SCBOS/DORBOS
JDC workshops
Business development
Economic Incentives book
Corporate Income Tax summary published with the Bureau of National Affairs
Special efforts related to the first sales tax holiday

S.C. Department of Revenue Accountability Report 2001 - 2002

Special efforts related to the 1% exemption on food (January 1 implementation and July 1 lapse)

Tax practitioners

Forms design teams

Joint seminars with IRS/ERO

White-collar crimes course

Articles in the CPA newsletter

Speakers at CPA seminars

Fed/State filers' handbooks

Regulated Businesses (bingo, alcoholic beverages);

New ABL tracking process

Considering changes to county renewal timing

New bingo processing system

New bingo paper rules

Working to allow electronic daubers.

Statewide property taxpayers (e.g., manufacturers, motor carriers, utilities, car lines)

Changes to FILOT (Fee In Lieu Of Taxes)

Adding BPP (Business Personal Property) review

Streamlining Motor Carrier Property Tax administration

Local Governments (property tax administration, local option taxes, index of taxpaying ability, exemptions);

Refund offset

GEAR

CAMA

Motor Carrier Audits

FILOT

Motor Vehicle Assessment Guides

Visits to counties

Seminars sponsored for county officials

Focus groups on processes affecting counties

Adding listserves for policy documents/comment/CG

Federal Government

IRS SITLIP

IRS refund offset

IRS Fed/state liaison

IRS classes

Streamlined sales tax initiatives

Other state governments

SEATA

FTA

Exchange of use tax information

Expanded exchange agreement with Connecticut

Below the rack task force

Supply motor fuel training instructors nationwide

FTA listserves for internal audit, commissioners, HR, training

Software developers

Product testing

Links to their web sites

3.2 We determine the identity of our customers by reviewing the products and

services we provide. Through a training session for all management personnel in May of 2002, we were introduced to a process by which we define our products then determine the customers of those products. This then allows us to determine and fulfill our customers' key requirements by asking questions, defining terms, setting standards, and continuous improvement. Then, build strategies to address those requirements.

3.3. We seek customer-friendly feedback vehicles. Our web site is an avenue for our customers to provide feedback and access services. All notices that are sent by the department contain a telephone number for customers to make inquiries and suggestions. Our annual Customer Satisfaction Survey conducted by the University of South Carolina is another vehicle for us to gain feedback from our customers. Additionally, our newly implemented Contact Center coupled with our long-standing audit survey and regional manager survey processes, allows us to gain insight from callers or survey respondents on problems, preferences, concerns, and trends.

3.4 We view every complaint or comment as a gift and an opportunity to improve our services. Agency level objective 2.2 was focused this year on developing methods for the Contact Center to obtain structured, systematic, stakeholder/customer feedback. The Contact Center and Taxpayer Assistance personnel are using a newly implemented software (HEAT) system to track their calls and visits which should give useful information for stakeholder feedback. We are also using HEAT to track the reasons for contacts so that our communications can be improved.

Furthermore, we continue to capitalize on a

“best practice” initiated last year. The department includes tax practitioners, tax accountants, CPA’s, and taxpayers in our forms design teams. This supplier-customer input has proved invaluable in simplifying content and format of information on our tax forms.

3.5 The department has employed several methods to collect customer satisfaction input and determine the strength of our relationships. These include:

- Monthly customer satisfaction interviews. The Director writes each interviewed stakeholder and follows up on suggestions.
- Postage prepaid customer comment cards.
- The University of South Carolina’s Institute of Public Affairs Biannual Survey of the South Carolina Public includes our annual satisfaction survey on overall service delivery, quality of information received, and the ease of the process. See Figure 7.1.1.
- Taxpayer education initiatives, such as our Sales Tax Workshops and our Clemson Workshops are used in part to measure customer satisfaction.
- Focus groups when developing forms and notices help us ascertain when we are doing things well or poorly.
- The Taxpayer Advocate’s Report is a measure of the number of types of complaints, the resolutions of those complaints, and the processes that have been changed as a result.
- New this year are Sales Tax Forms workshops, in which we walk taxpayers through the return preparation process. These sessions always provide valuable feedback from taxpayers on services that are needed or that can be improved.
- Monitoring comments, complaints, and feedback.

3.6 Most taxpayers will voluntarily comply if the instructions are clear, understandable, and simple. The agency coordinates workshops, keeps abreast of trends, and organizes collaborative projects to eliminate governmental redundancy and improve service. We continue expanding the capabilities of business registration web sites. DORBOS is the DOR’s Business One Stop Registration system to make it easier to start a business in South Carolina. Both DORBOS and SC Business One Stop are online systems that provide the information needed to get the right business licenses and set up tax accounts. This year, we forged a partnership with the Employment Security Commission (ESC) to establish a joint electronic business registration. This is expected to be available in September of this year. In this initiative we work with federal, local, county, and other state government representatives to design a seamless method to register businesses in South Carolina.

The department holds workshops to update taxpayers on tax law changes and forms revisions (i.e., Clemson Individual Income Tax Workshops, Small Business Workshops, and Sales and Use Tax Workshops). Additionally, workshops are scheduled with local government officials, County Auditors, Treasurers, and Assessors in partnership with the Comptroller General and the Department of Public Safety to address new tax legislation that affects these entities. Other regional workshops are conducted on a variety of tax matters. These workshops allow us to gain valuable input to our processes.

The department has structured ways in which to educate and be responsive to the various needs of our customers. Our web site contains tax information, tax policies, tax regulations, and opinions.

Taxpayer assistance officers are trained to deliver the service our customers expect. A tax helpline and our web site's frequently asked questions sections also answer taxpayer questions. Each April, citizens greatly appreciate the department's "forms drive-through," which allows taxpayers the ability to pick up their state and federal tax forms without leaving their automobiles.

In response to customer input, the department employs a variety of methods for customers to file taxes and obtain forms. Our web site allows for certain tax filings, and both current and past year tax forms are available. Also available via the web site and our Refund Hotline is refund status information. Internet filing is available, as is the touchtone telefile program that utilizes touch-tone phones for individual income tax, business sales (\$0), and withholding (\$0 owed). New this year, we accept credit card payments over the web and telephone for filings and for delinquent taxes via an Interactive Voice Response (IVR) system. Also new this year was "Individual Income Tax Fast Facts" on the web. Taxpayers could check the frequently updated page to determine where we were in the processing of returns (numbers processed, date of mail being processed).

Information and Analysis

4.1 The goal for the 01-02 fiscal year was to refine our list of 129 measures of key performance to a set of high-level "dashboard" measures. Nationally recognized Baldrige expert, David McClaskey assisted us in identifying these measures. A listing follows:

Dashboard Measures

Collections Measures

Total Collections (%last year;)

Total enforced collections (%last year: % projection)

Cost per Dollar collected

Budget to projections – BEA

Customer Satisfaction/Employee Satisfaction & Citizenship Measures

Contact Center measure Abandoned call rate

Contact Center measure Response time

Contact Center measure # of calls received by tax type and compliance vs enforcement (customer complaints and recovery system needs to be developed)

Contact Center measure Follow up survey

Customer satisfaction surveys by major customer segment

Electronic Returns (volume)

Electronic Payments (dollars)

Complaints (not a measure but a listing of causes)

Voluntary resignations

Sick Leave

EEO Parity

Achievement of Minority Business Goal

Process Measures

Refund Cycle Times - IIT Paper

Refund Cycle Times - IIT Electronic

Refund Cycle Times – Sales

Refund Cycle Times – Withholding

Refund Cycle Times - Corporate Income Tax

Refund Cycle Times - Motor Fuel

Opportunity Cost

License Issuance Cycle Time – Registration

License Issuance Cycle Time –ABL

Returns/Transactions –IIT

Returns/Transactions – Sales

Returns/Transactions – Withholding

Returns/Transactions – Corporate

Returns/Transactions – Motor Fuel

Cost to Process a Return (by tax type)

Returns processed by FTE

\$ Collected per FTE

\$ Set off per FTE

While these measures are tied to the strategic planning key results, they are not yet numbered in that fashion. This activity will take place early this fiscal year.

The department continues to utilize these measures in the senior leadership appraisal system and they are aligned to the Baldrige criteria, the strategic plan, and the managers' areas of responsibility.

4.2 Agency level measures are reviewed at management meetings once per month so that timely information is available for decision-making. The information reported states the related key result, whether it is an FTA measure, measure type (input, output, outcome); location of the data and charts; averages for the last five years, goals for this year; goals for five years hence; contact person; definitions; data sources; description of why the measure is important; factors that affect performance; analysis of current performance; and an image of the current performance chart.

4.3 As noted above, our high level performance measures tie directly to the core processes of Collections measures, Customer Satisfaction/Employee Satisfaction & Citizenship Measures, and Process Measures as well as our key results of the strategic plan. Additionally, the department uses feedback from focus groups and partners to identify modifications to statutes that will maximize voluntary compliance and reduce the burden of compliance.

The department has begun the process of activity based costing (ABC) to determine costs associated with each of our numerous processes. The new integrated financial software, which we are partnering with other state agencies to purchase and implement, will be complimentary to our ABC efforts. Greater productivity and efficiencies could

be realized with the new statewide software system. Systems mapping is yet another, integral step in the ABC process and continues to enhance the decision making on allocation of dollars and personnel to achieve effective use of resources.

Many of our performance measures are geared to customer expectations. One of these measures is the cycle time for issuance of a refund, often the only contact that taxpayers have with the department. A short refund cycle is a key indicator of customer satisfaction. The improvements in refund cycle time for our individual income tax and sales tax processes are attributable to electronic filing initiatives, process improvements, and resource allocation. Results of these improvements are detailed in the Business Results section, Figures 7.1.2 and 7.1.3. Despite this year's challenges, the individual income tax processing was completed two weeks earlier this year, saving temporary staff salary expenses and better satisfying customers. Another measure is the timely deposit of revenue. Our external customers including the Governor, the Treasurer, and General Assembly, expect the department to deposit revenues timely to maximum earning on investments.

The department monitors electronic fund transactions and electronically filed returns; both allow us to reduce processing costs. We also continue to benchmark South Carolina's participation rates with those of other revenue departments and we still lead the nation in this effort. Our total electronic payments average over \$351,000,000 per month or 60% of total deposits. The statutory authority to require payments of \$20,000 or more electronically was reduced to a \$15,000 threshold this year. As a statutory incentive, the discount to retailers who file electronically was raised from

\$3000 to \$3100.

The department measures alignment with our key human resource measures by looking at our recruiting practices to insure that the department hires a qualified and diverse work team. The department's tracking of turnover rate allows for the constant review of reasons employees leave the department so that management can address issues directly related to employee departure.

4.4 The department continues to participate in the national movement by state revenue departments to report performance measures that are common to all revenue departments. These measures have begun to serve as true benchmarks and as the data expands, will better aid in identifying best practices and improvements. To date, 35 national performance measures have been identified that measure service delivery. Areas being measured link directly to customer satisfaction, compliance, rework, timely deposits, and recognition of funds. Many of the measures demonstrate effective use of resources, and are a monitor for expected outcomes. They give the department an accurate reflection of its operating positions in comparison to other revenue departments. The Department also participated in an international survey conducted by the New Zealand Revenue Department which will allow us to benchmark on technology issues worldwide. This fiscal year the Department will be cooperation with Governing Magazine's survey of the nation's revenue departments.

Human Resources

5.1 The department is organized in each division and section with natural work teams that have specific responsibilities. These teams are empowered to cross team and

division lines to communicate issues and collaborate. Cross-divisional work teams are chartered to work on substantive improvements and implementation that generally evolve from one of the thirteen major objectives of the strategic plan. The talents and initiative of our employees are the ultimate keys to our success. Teams encourage and motivate employees to solve problems and make continuous improvements. Key result four and its strategies are all directed to ensuring we have a capable, satisfied and diverse work team.

All Position Descriptions have been rewritten to tie directly to the mission of the organization. All EPMS documents have been rewritten to tie directly to our strategic plan. In addition, approximately 80 percent of our workforce has a Career Development Plan that ensures progression in knowledge and skills and encourages employees to develop their potential. We are planning how to fund pay progressions through those Development Plans, and we encourage employees to continue to build their skill levels.

We also have employed several targeted methods for receiving suggestions from our workforce. These include our effort to cut costs via the cost savers suggestions program, named the **Budget RedUction TEam** or BRUTE Force, which won the Governor's Taxpayer's Friend award in May of this year. The "3000 suggestions" program along with our Pulse Taker's suggestion box system compliment our long-standing STAR (Suggestions, Thanks, And, Recognition) program.

The department has committed to its employees by providing state-of-the-art computer equipment by "bulldozing" every two years with leased equipment. We also

provide up-to-date software to our employees to give them the tools they need to best serve our customers.

The “Baldrige Bunch” team, who are trained in the Baldrige Criteria, and the Pulse Takers Team are utilized periodically to assess the progress and climate of the agency in implementing the Criteria.

Our weekly publication, *This Week*, keeps employees informed about happenings in the agency, as well as provides a summary of weekly executive staff meetings. We also used this vehicle to introduce the Baldrige Criteria, in short informative articles to motivate our employees to becoming the world class organization to which we aspire.

5.2 The Department has focused on e-learning to provide just-in-time training without travel costs. We introduced our first e-learning course, Introduction to Sales Tax this year. Development began on the Introduction to Corporations e-learning course and is expected to be completed by the end of the third quarter of next fiscal year. An e-learning course for Motor Carrier Property Tax was developed and the Business Tax Guide was developed into an e-learning tool and placed on our Dragnet, our internal internet. When traditional classroom training is utilized, it is augmented with accelerated learning techniques. We have both a technical training initiative and a quality and leadership initiative.

Our formal Job Development Plans for non-management workforce requires development of specific skills and duties. Teaching and training are required for certification and progression to the next step of each plan. Each employee can reach the top of the individual plan with dedicated effort.

Partial tuition reimbursement, and variable work week or work hour options assist those interested in completing accounting hours or degree requirements to qualify for entry into another job area in our agency.

The department is a state benchmark for quality improvement and leadership training. This year a proviso charged the Department with providing assistance to other state agencies in their implementation of the Baldrige Criteria. With four Governor’s Quality Award examiners in the agency, we are well positioned to carry out this role.

For the last 12 years we have introduced our employees and many from other agencies to the quality tools and process through our quality and leadership training plan. Our Executive Leadership (XD) program was benchmarked using best practices of successful Fortune 500 companies. Individual 360-degree feedback is a cornerstone of the XD program development process. Ms. Carpentier and all deputies and administrators have also participated in the 360-feedback process, preparation of development plans, and coaching towards achievement of individualized development goals.

Additional training opportunities the department endorses include: Rev’n U online Smartforce learning, regional and national tax administrator courses, Motor Fuel task force classes (as trainers and participants), CPE Training; Tax Law, Technical Skills, quality and leadership training; Executive Institute; and the Governor’s Excel program. We also offer the Weeks Scholarship for employees’ children and employee tuition reimbursement. When new employees are

hired, we introduce them to the agency through our orientation course, DOR 101.

5.3 Formal and informal recognition is another key factor in our success. Our reorganization, as a result of the RIF and other key employees leaving the agency, has given us a unique opportunity to recognize and gain feedback from the employees who remain. The development of the DOR manual through “talk back” sessions, offered us invaluable input to our employee performance management system. This process offered all employees a means for a free exchange of information to support continued high performance within the agency. Other successful components of our performance management system include: quarterly EPMS coaching sessions, training development plans, universal review date for managers that ties to the timeline of the annual business plan, and formalized succession planning.

5.4 Employee well-being and satisfaction is a significant indicator of return on our investment. Our measures include results of focus groups, exit interview feedback, turnover, absenteeism, and grievance statistics. We couple the diversified state benefits package with other initiatives that have proven successful, such as ongoing health screenings and stress reduction programs (e.g., exercise room, basketball equipment, softball team, reading group, stress management programs). An ergonomics audit was completed and significant improvements were made. Tuition reimbursement and variable work week or work hour options assist employees in balancing their lives and professional development needs. The availability of a laundry pickup and delivery service,

childcare referral, and postal services in the main office building has been well received. The Employee Assistance Program is available to all employees. Formal appreciation events included an ice cream social held by management for all employees. Many work groups organize their own recognition celebrations on an ongoing basis.

5.5 Initiatives in this area include: ergonomics and air quality studies; health screenings, flu shots, a renovated and upgraded exercise room, walking club, weight loss club, CPR training, on-site mammography, and Weight Watchers on-site.

5.6 Community involvement initiatives include: United Way, Good Health Appeal, savings bonds, public education initiatives (e.g., apple license tags), United Black Fund of the Midlands, blood drives, and Cooperative Ministry’s Back-to-School Supply Drive. We regularly encourage and recognize individual community involvement and professional involvement.

Process Management

6.1 – 6.4 The department is aligned to its identified core competencies. Below is a table identifying those. **Note:** Support processes are included in the Administration category. All products and services, which are either in place or to be designed link to one of the areas of core competencies. The department uses the Joiner 7 Step model as the way in which we review all of our current processes for improvement opportunities or design new processes. The model below shows the steps and how we ensure customer/stakeholder involvement.

S.C. Department of Revenue Accountability Report 2001 - 2002

Core Processes	Sub-Processes	Stakeholders
Revenue Processing & Allocation	Forms Design and Management Mail Processing Records EFT/EDI Electronic Filing/Payment Enforced collections deposits/cash management Payment Processing Return Processing Refund Processing Data Collection Data Management Data Dissemination Statistics Revenue allocation Local Option Taxes Property Taxes Motor Fuel Taxes Dry cleaning \$9 million road/gas fund Accommodations Tax Index/Ratio Lists of corporate officers	Elected Officials Other state agencies Governments Non-Business Taxpayers Business Taxpayers Practitioners Citizens Comptroller General
Registration, Licensing, and Exemptions	Registration Licensing Code Enforcement Determine Exemptions Oversight Local Government Assistance Question Answering	Elected Officials Other agencies Governments Business Taxpayers Practitioners Citizens
Valuations	Manufacturing Property Utilities, carlines Business personal property FILOT Motor Vehicle guides Motor Carrier	Local Governments Department of Public Safety Department of Transportation
Compliance	Audits Data Reconciliations Collections Code Enforcement Process Regulatory Violations Criminal Investigations/Prosecutions Assist Other Agencies/Governments	Elected Officials Other state agencies Governments Non-Business Taxpayers Business Taxpayers Practitioners
Guidance, Education, Marketing, and "Answers"	Policy Decisions Problems Resolution Contact Center Taxpayer Assistance Officers Speakers Bureau Taxpayer Rights Advocate Training Resource Rings Rev'n U DOREE Publications	Elected Officials Governments DOR Staff Non-Business Taxpayers Business Taxpayers Practitioners Citizens

S.C. Department of Revenue Accountability Report 2001 - 2002

	New Legislation Guide Annual Report Teletopics Legislative Affairs Press Releases Forms Policy Documents Assist Other Agencies Local Government Liaison Provide Statistics/Data Education and Training	
Dispute Resolution	Mediation Negotiations Error and Assessment Notices Error & problem resolution Taxpayer Advocate Appeals ALJ and court cases	Elected Officials Governments Non-Business Taxpayers Business Taxpayers Practitioners
Administration	Human Resources Planning and Development Technology Facility Management	Elected Officials Governments Non-Business Taxpayers Business Taxpayers Practitioners

S.C. Department of Revenue Accountability Report 2001 - 2002

Joiner Seven Step Problem Solving Model							
Step	1. Project	2. Current Situation	3. Cause Analysis	4. Solutions	5. Results	6. Standard-ization	7. Future Plans
Goal	To define the project's purpose and scope.	To further focus the improvement effort by gathering data on the current situation.	To identify and verify deep causes with data; to pave the way for effective solutions.	To develop, try out, and implement solutions that address deep causes.	To evaluate both the solutions and the plans used to implement them.	To maintain the gains by standardizing work methods or products.	To anticipate future improvements and to preserve the lessons from this effort.
Questions to be answered	<p>What is the project's purpose? What problem or "gap" are you addressing?</p> <p>What impact will closing this gap have on customers?</p> <p>What other reasons exist for addressing this gap?</p> <p>How will you know if things are better?</p> <p>What is your plan for this project?</p>	<p>What is the history?</p> <p>Can the problem or situation be depicted in a sketch or flowchart?</p> <p>What happens now when the problem appears? What are the symptoms?</p> <p>Where do symptoms appear? Where don't they appear?</p> <p>When do symptoms appear? When don't they appear?</p> <p>Who is involved? Who isn't?</p>	<p>What are the possible causes of the symptoms? Which of these are verified with data?</p> <p>What are possible deeper causes of the verified causes?</p> <p>How does the verification of causes affect decisions about who should be working on this effort?</p>	<p>What solutions could address the deeper causes?</p> <p>What criteria are useful for comparing potential solutions?</p> <p>What are the pros and cons of each solution? How do they relate to the gaps and causes?</p> <p>Which solutions seem best? Which will you select for testing?</p> <p>How will you try them on a small scale? What data will you collect?</p> <p>Which trial solution turned out to be most effective?</p> <p>What are the plans for implementing it full scale?</p>	<p>How well do results meet the targets?</p> <p>How well was the plan executed?</p> <p>What can this tell you about planning for improvement?</p>	<p>What is the new standard method or product?</p> <p>How will all employees who do this work be trained?</p> <p>What's in place to assure the gains are maintained to prevent backsliding?</p> <p>How will methods, procedures, and results be monitored? How will anyone know if things are working the way they should work?</p> <p>What means are in place to foster ongoing improvement?</p>	<p>What remaining needs were not addressed by this project?</p> <p>What do you recommend for investigating these remaining needs?</p> <p>What did you learn from this project? How can these lessons be communicated?</p> <p>How will the documentation be completed? What happens to it when it's finished?</p> <p>How will this project be brought to a close? How will you celebrate?</p>

Additionally, the DOR Manual produced this year is published and located where all employees have access. It provides a mechanism to ensure that we meet our key performance requirements and mandates in both our delivery and support processes.

The table of contents, below, is the key navigation tool as it includes links to the various areas indicated. Ultimately, this document will be located on Dragnet, our internal web site.

South Carolina Department of Revenue (DOR) Manual

Introduction and Overview

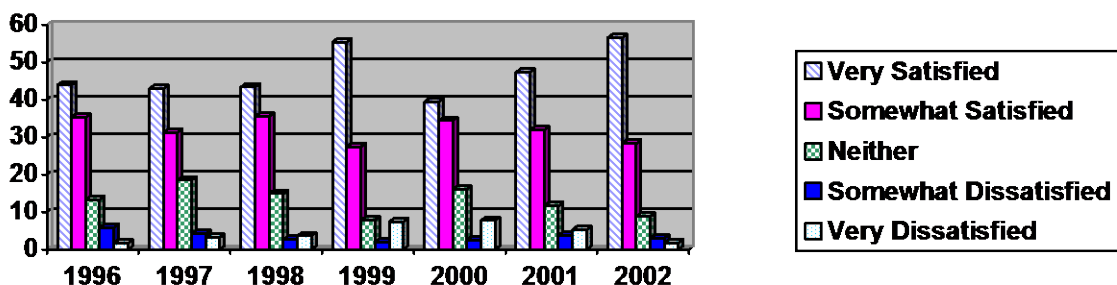
- **Manual's Purpose:** The purpose of this manual is to document what DOR is doing, changes made and why such changes were implemented. The manual also links DOR mandates to the Division and Section responsible for the tasks and processes that carry it out. A brief history of the Next Steps Process that generated many of the changes is also provided.

Chapter I Strategic Plan, Annual Business Plan, Overview
Chapter II Critical Products and Other Tasks
1. <u>Deposits</u>
2. <u>Revenue Distribution and Reports</u>
3. <u>Refunds</u>
4. <u>Verifications</u>
5. <u>Dispute Resolution, Assessments, Appeals</u>
6. <u>Licenses & Exemptions</u>
7. <u>Valuations</u>
8. <u>Answers</u>
Chapter III Next Steps
Chapter IV Organizational Charts
Chapter V Updating Information

Business Results

7.1 Customer Satisfaction The department continues to use a market based survey conducted by the University of South Carolina to determine customer satisfaction with service delivery. The results of the survey (Fig. 7.1.1) indicate that 93.7 percent of the time the department met or exceeded the expectations with the service delivery. The trend over the past seven years continues to show positive results of our emphasis on customer satisfaction.

Satisfaction with Services Received (Fig. 7.1.1)
 Asked only respondents who had contact with the department in the past year.



Individual Income Tax filers are our largest customer segment. Receiving their refund quickly is their expectation and the DOR delivers. Figure 7.1.2 indicated that 99 percent of the refunds are issued within 60 days from the date of receipt in our Mail Center to date of refund mailing or direct deposit of the funds.

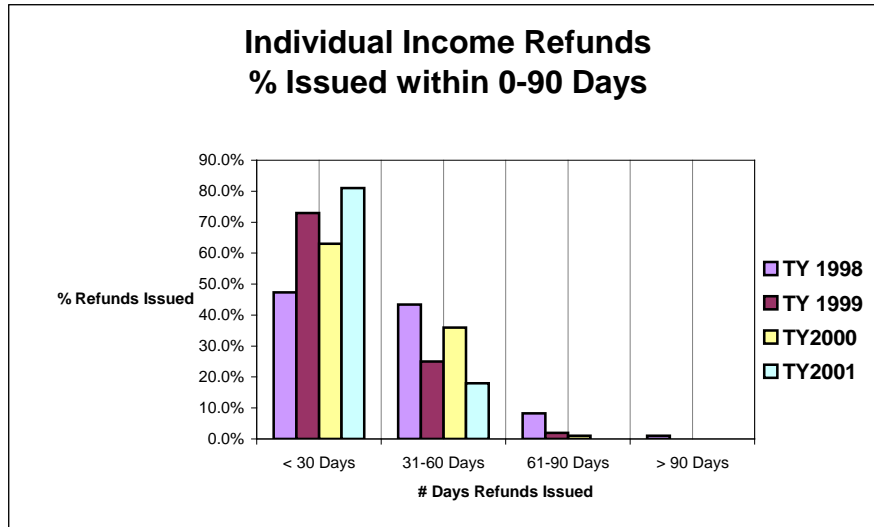


Fig. 7.1.2

Sales tax filers are our next largest customer group and again, refund cycle time is important to them as well. Figure 7.1.3 indicates that we have averaged below our historical average of 116.5 days. Our FY 01-02 average is 72.4 days. This improvement resulted from a focus upon the statutory requirement that interest be paid after 75 days. By improving cycle time, the Department also saved the State interest expenses as shown in Fig. 7.6.7.

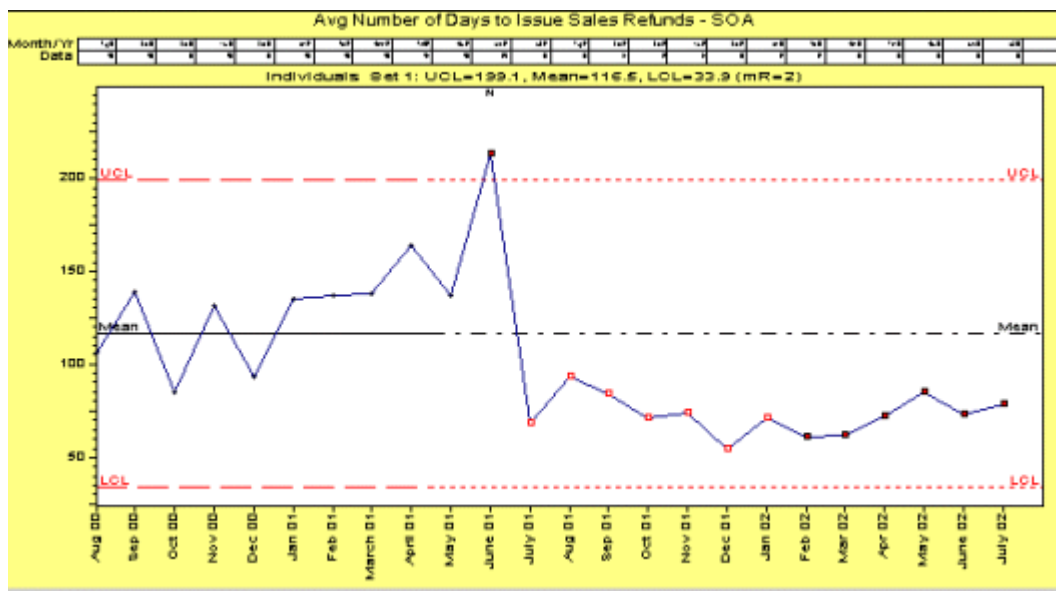


Fig. 7.1.3

7.2 Mission Accomplishment Category 3.1 indicates our stakeholders and customers which includes other state agencies, local governments, and the General Assembly. Our measures of “mission accomplishment” of administering the revenue and regulatory laws of the state and collecting the revenue due the state are primary components of the assessment of how well we accomplish our mission. Figure 7.2.1 indicates the percentage of increase or decrease of collections over the prior year. You will see that in the last two years, collections have decreased

primarily as a result of the slowing economy. We have seen a decrease in all of the major taxes; sales tax, corporate income tax, withholding tax, and individual income tax.

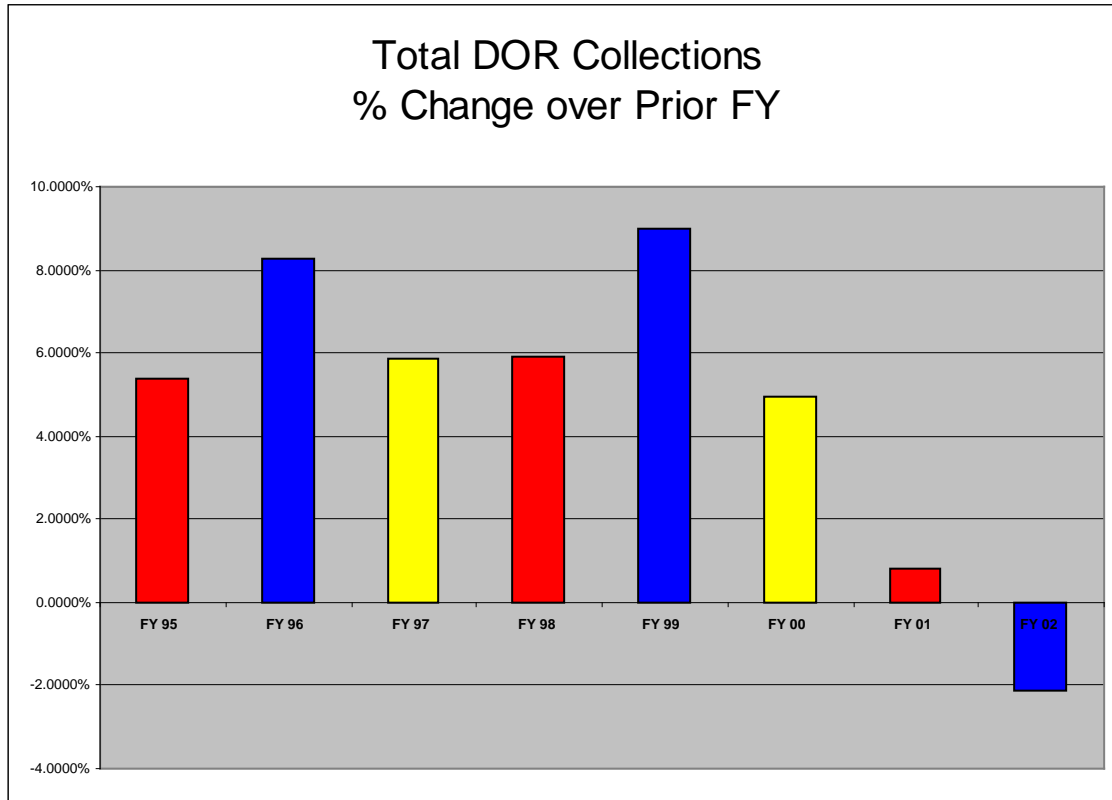


Fig. 7.2.1

Figure 7.2.2 shows the total percentage of increase or decrease in enforced collections over the prior year. This indicates a small increase in enforced collections.

Figure 7.2.3 shows our cost for collecting \$1.00 in tax at \$.0068, down slightly from last year. This measure shows the effectiveness of our collection approaches.

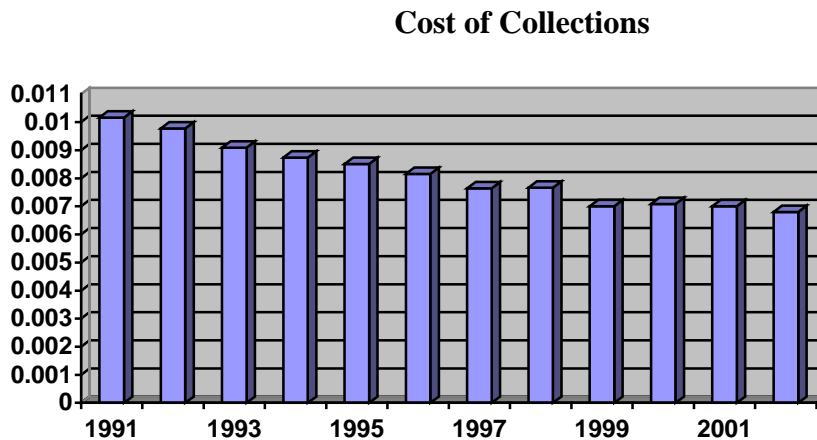


Fig. 7.2.3

7.3 Employee Satisfaction The measures we review for employee satisfaction are the number of employees voluntarily resigning (Fig. 7.3.1) and sick leave usage. (Fig. 7.3.2). Figure 7.3.1 shows the marked increase in September 2001 which is a result of offering Retirement and Separation incentives. An additional 104 permanent employees were RIFed, but since these were not “voluntary” they are not included in this measurement.

We measure the average sick leave usage, as that can be an early indicator of potential employee dissatisfaction. Special retirement and/or separation incentives impacted the average use as these separating employees often have a great deal of sick leave that is used in calculations for retirement credit. This results in those hours being counted as “used.” Also, employees may donate leave to the agency leave pool. Donated hours are also accounted for as being “used.” These factors account for the spikes in December and June.

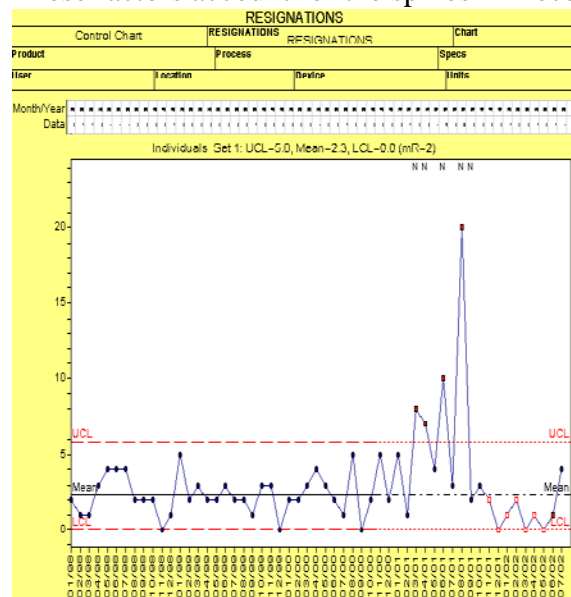


Fig. 7.3.1

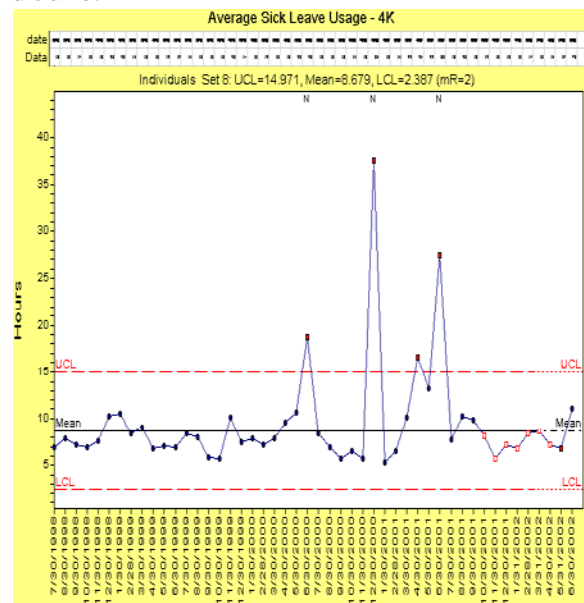


Fig 7.3.2

7.4 Supplier/Contractor/Partner Performance To date nineteen entities with debts totaling \$11,584,850 have contracted and submitted debts for GEAR (Government Enterprise Accounts Receivable) collections. Total GEAR Collections for FY 01-02 are \$1,110,033.

Our Business One Stop programs (DORBOS and SCBOS) have progressed this year also. While the SCBOS program is in the initial stages, as mentioned in 3.6, we expect to see taxpayers beginning to use this system to register to do business in South Carolina. The results provided here indicate the number of new registrants using this system for the two largest tax types, Fig. 7.4.1 is for sales tax and Fig. 7.4.2 is for withholding tax.

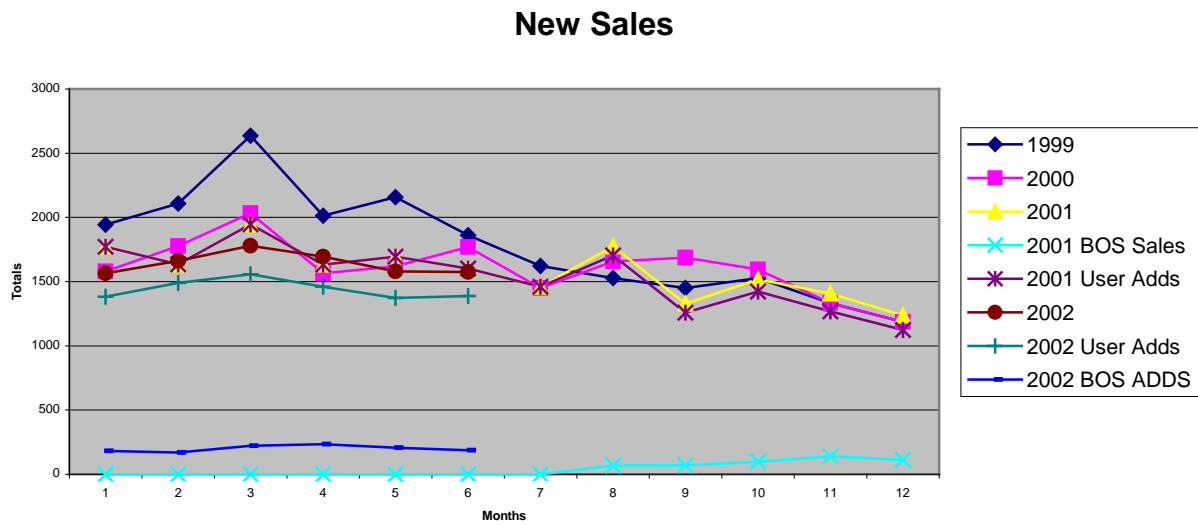


Fig. 7.4.1

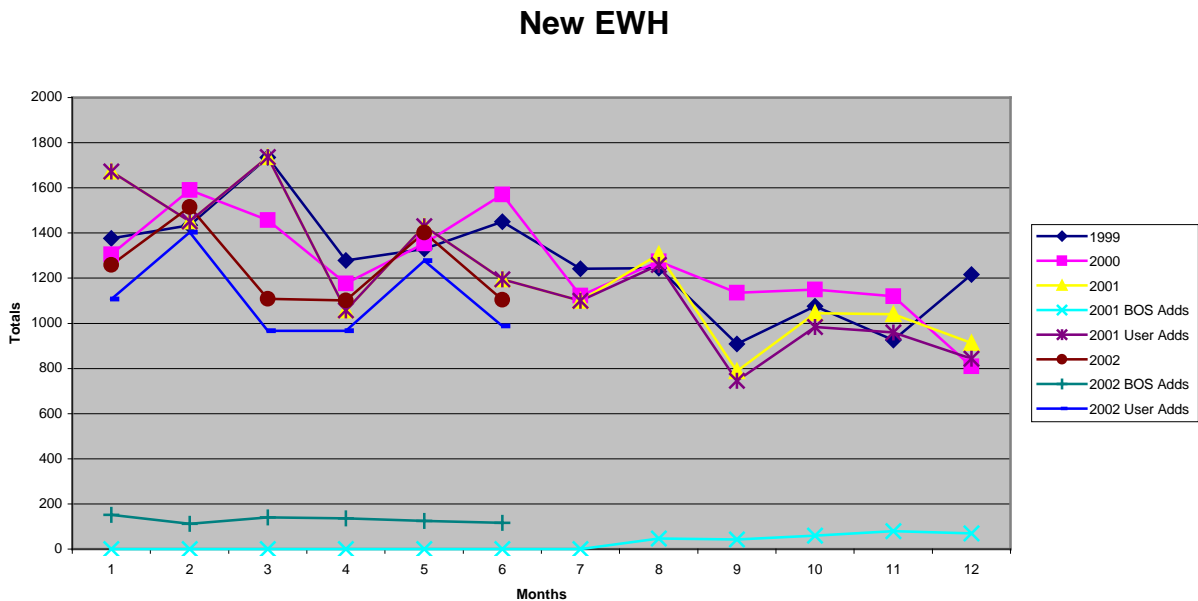


Fig. 7.4.2

The department provides a service for stakeholders in the collection of other governmental, health care and educational institutions through our debt setoff program. Under this program, these entities provide us with an electronic listing of their debtors and we match refunds against those lists to capture their refund, for a fee, and send them the amount seized. Figures 7.4.3 – 7.4.5 show the amount, amount of fees, number of hits, and the number of claimants participating in this program.

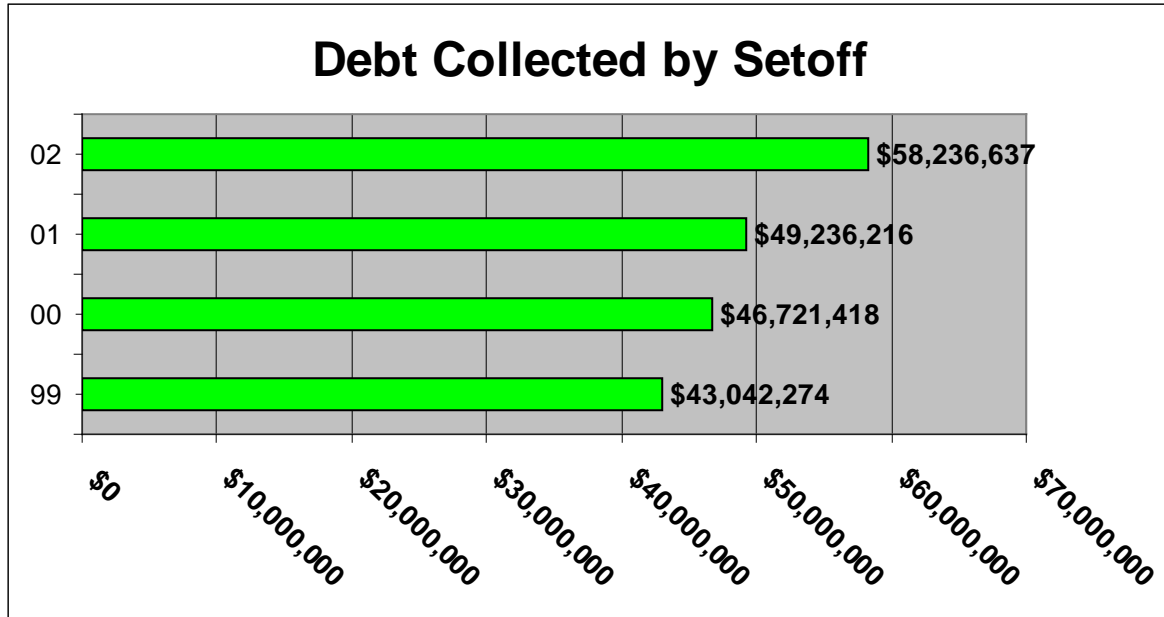


Fig. 7.4.3

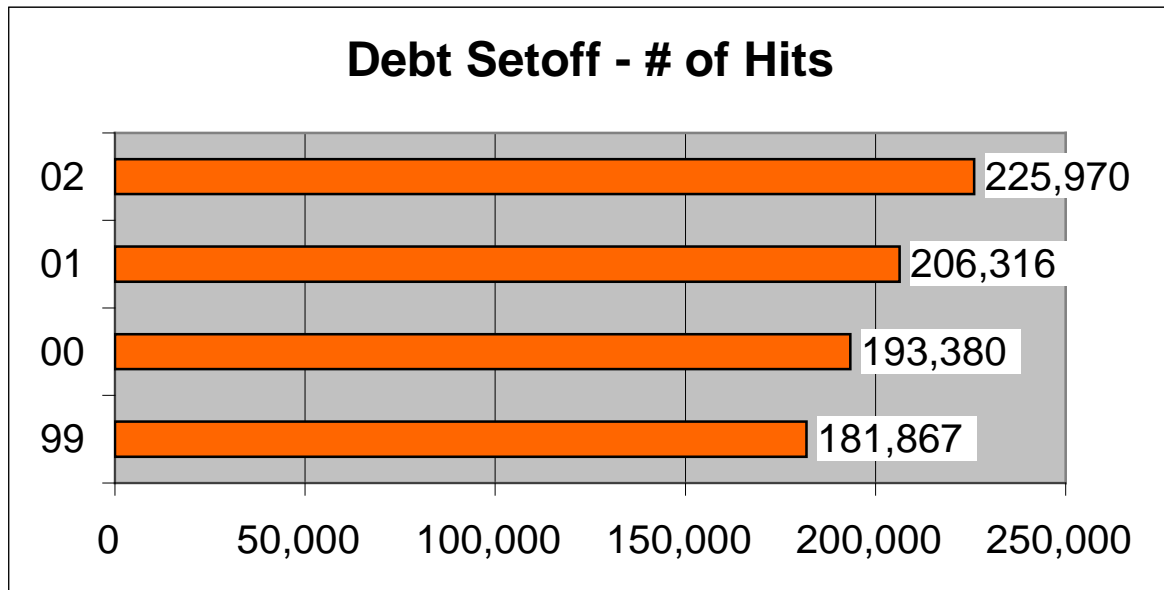


Fig. 7.4.4

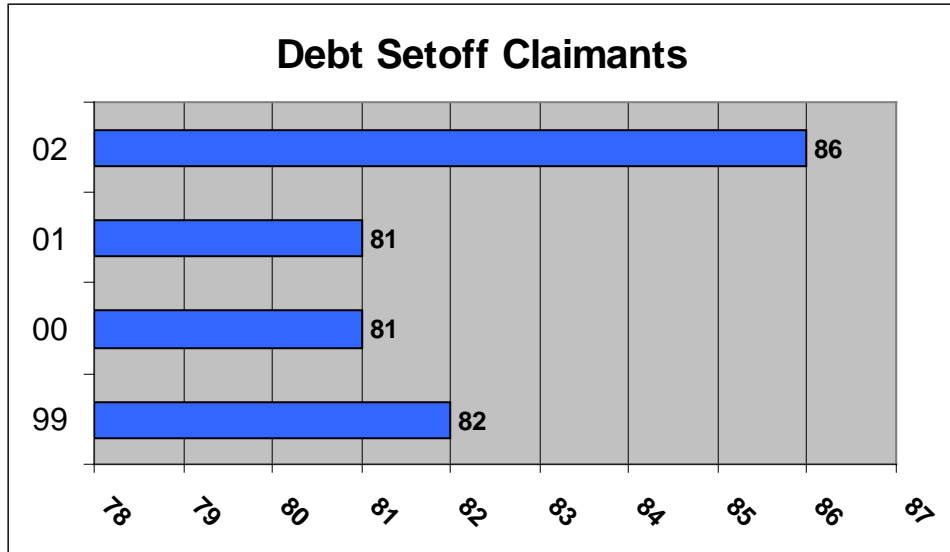


Fig. 7.4.5

7.5 Regulatory/Legal Compliance and Citizenship The department has had no regulatory violations or significant findings by those external entities that are in positions to do so in the past fiscal year. Some of these entities include: State Auditor; Legislative Audit Council; Internal Revenue Service; Occupational Safety and Health Organization; State Materials Management; the Budget and Control Board, and State Fire Marshal.

Equal Employment Opportunity (Fig 7.5.1) - The department has a 97.3% success rate as of June, 2002 in attaining our affirmative action goal. The agency was ranked first among all state agencies with 501 - 1000 employees in the report submitted to the General Assembly in February, 2002.

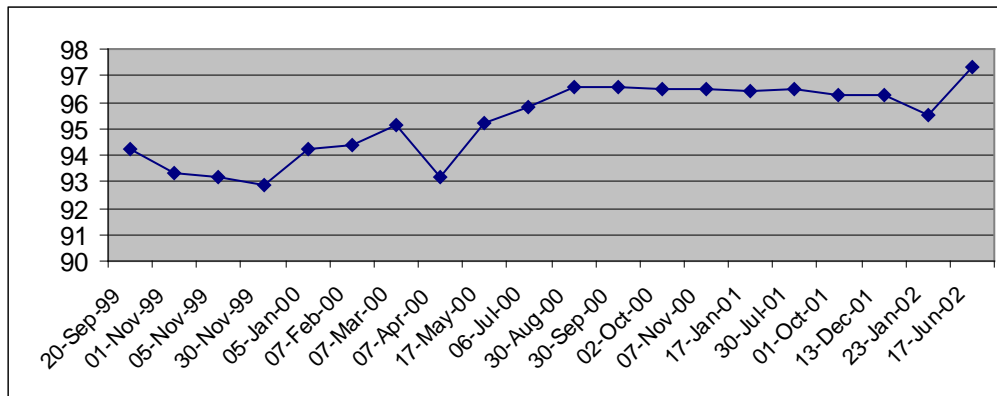


Fig. 7.5.1

As a measure of our good citizenship, we look at our purchases through minority businesses (Figure 7.5.2). This year we have consistently exceeded our goal of \$17,669.75 of purchases with minority businesses.

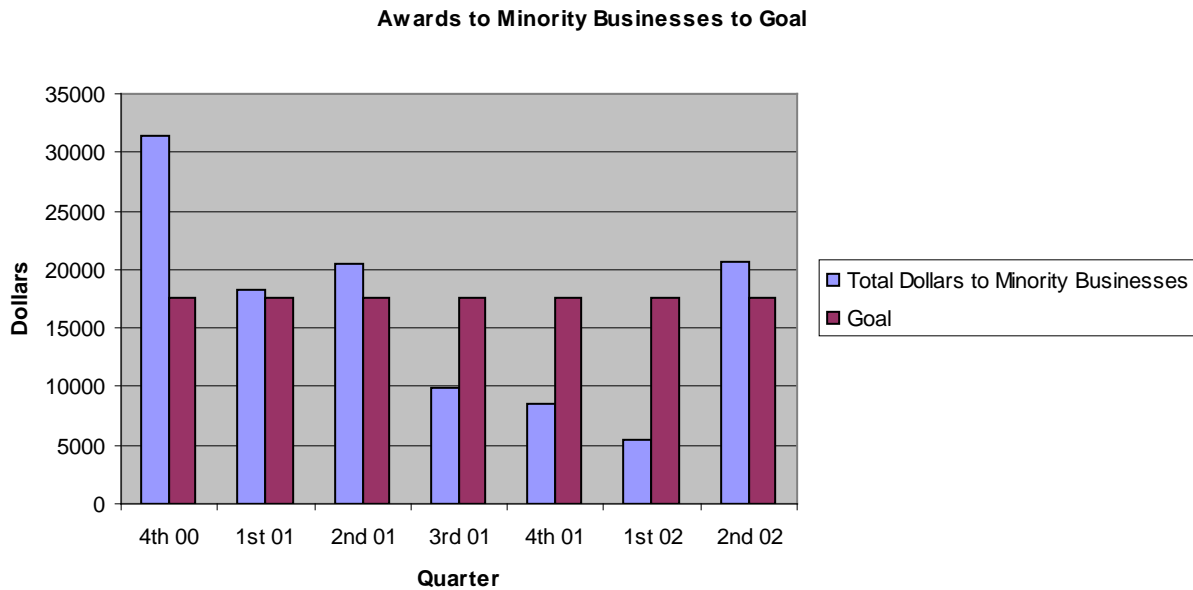


Fig. 7.5.2

The department embraces the recycling efforts of the state by purchasing recycled paper products and recycling of paper products and aluminum cans. Approximately 90 percent of our purchased paper products are from recycled material. While we continue to recycle enormous amounts of paper and cardboard through the Department of Corrections program, we have not received an accounting of the actual pounds recycled this year. However, there is no doubt that we either equaled or exceeded last year's 222,135 pounds of paper and 8,703 pounds of cardboard. As an additional DOR initiative, we recycled 685 pounds of aluminum cans this fiscal year.

7.6 Financial Performance Indicators: Our financial performance indicators include the numbers of non-paper tax returns filed. South Carolina continues to lead the nation in the number of electronically filed returns at 57 percent. Fig. 7.6.1 depicts our ranking with the five other highest ranking states.

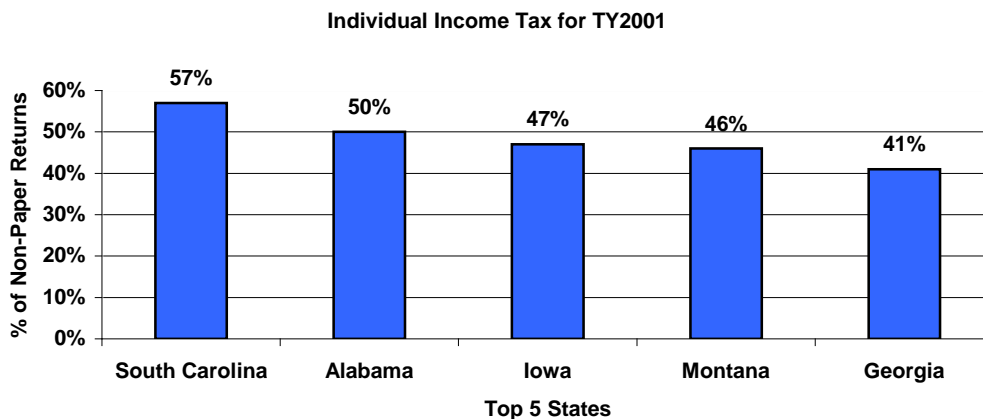


Fig. 7.6.1

The number of electronically filed returns, shown in Figure 7.6.2, increased 9.3 percent over last year.

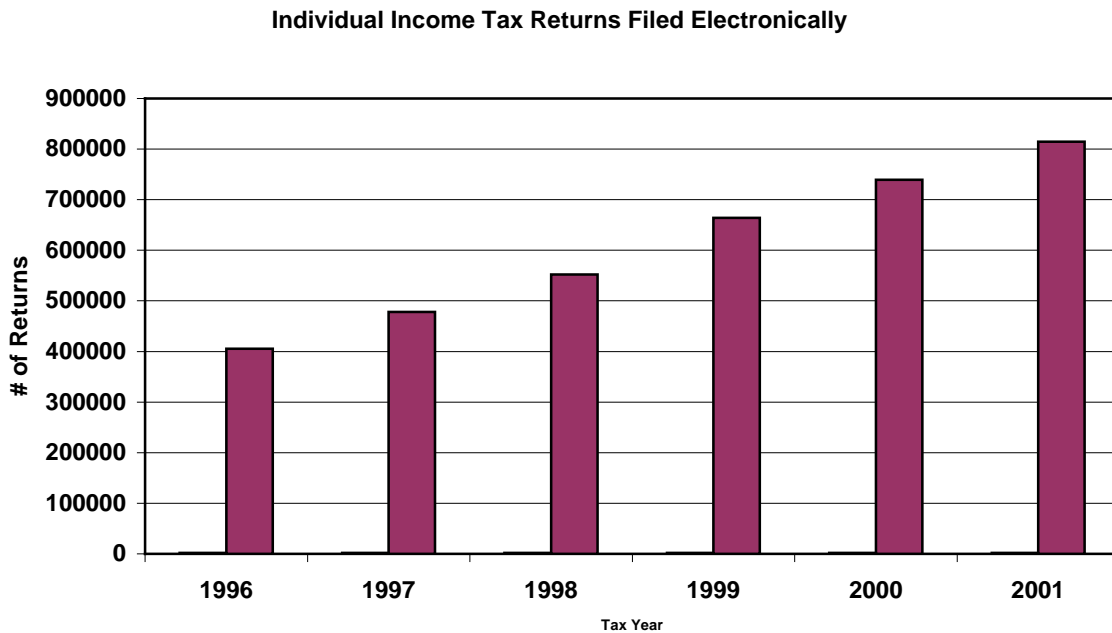


Fig. 7.6.2

Figure 7.6.3 indicates the various technological methods taxpayers used in filing their individual income tax returns this tax year. Taxpayers using these “alternative” methods not only allow the DOR to process returns more efficiently and virtually error free, but to generate refunds much quicker, which is a customer satisfier.

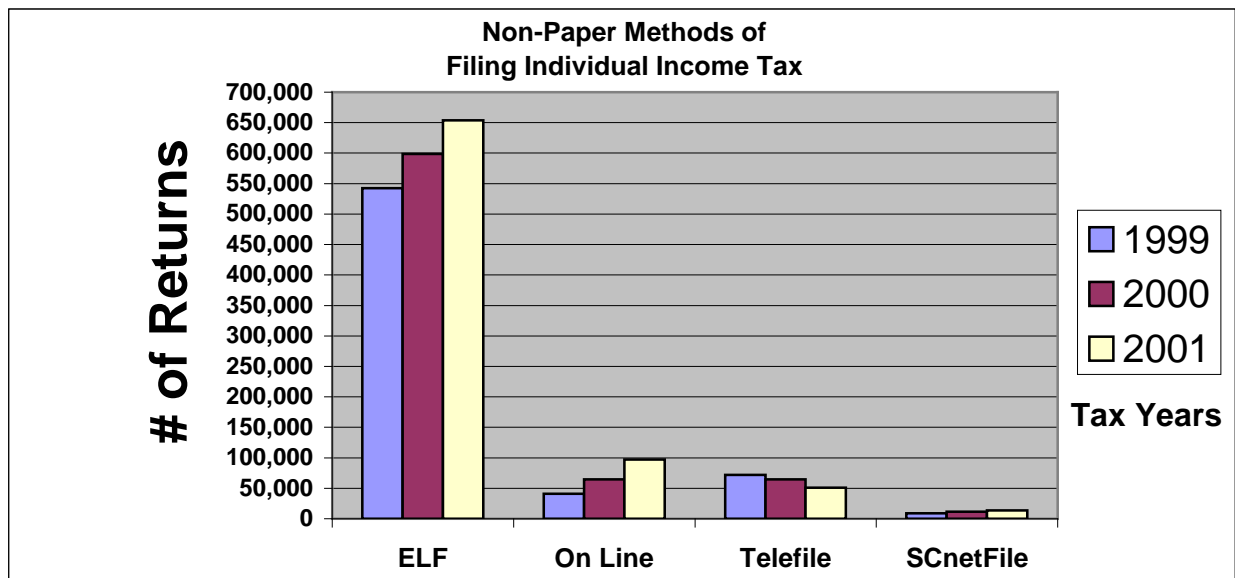


Fig. 7.6.3

Enforced involuntary collections per enforcement dollars spent (Fig. 7.6.4) and enforcement related expenses as a percent of total agency expenditures (Fig. 7.6.5) are all other financial performance measures we monitor.

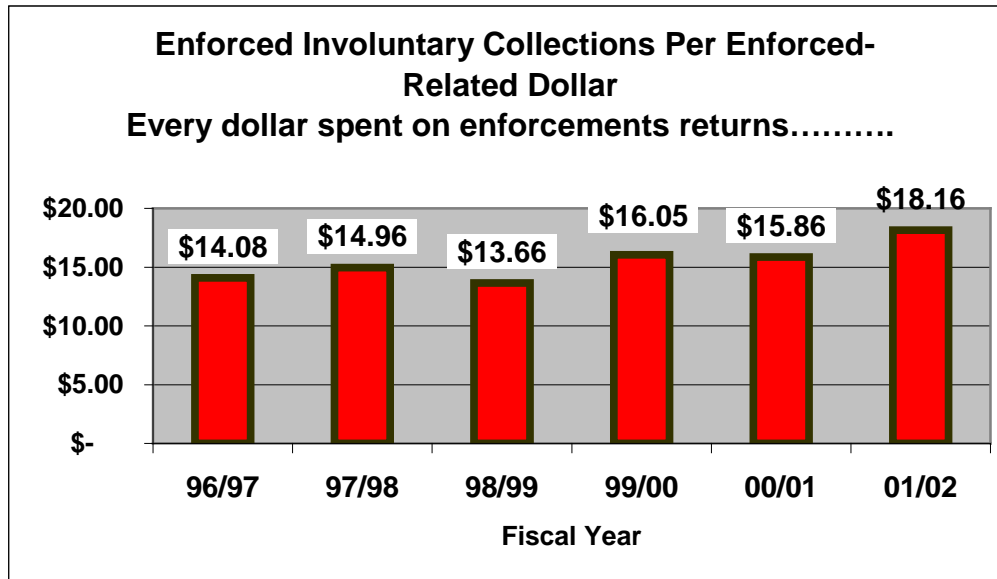


Fig. 7.6.4

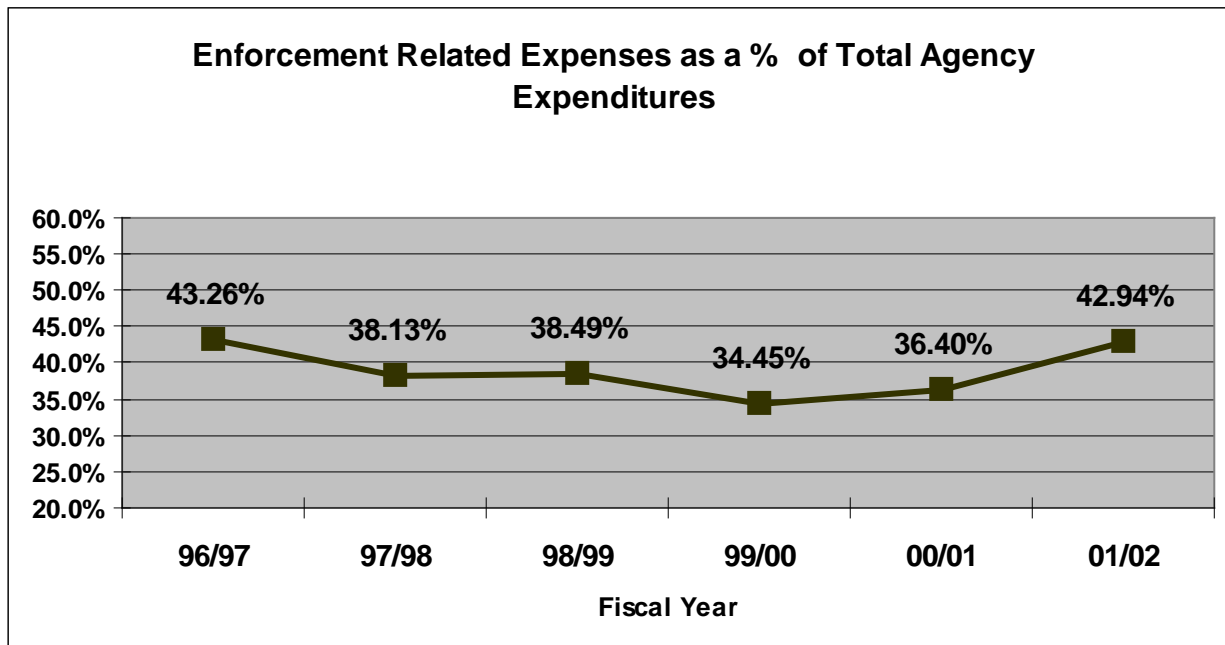


Fig. 7.6.5

The amount of interest lost monthly shows how effective and efficient we are with processing of checks and returns and getting state funds deposited. Figure 7.6.7 is a four-year comparison of the data. The “spikes” shown correspond to our peak processing times of tax returns.

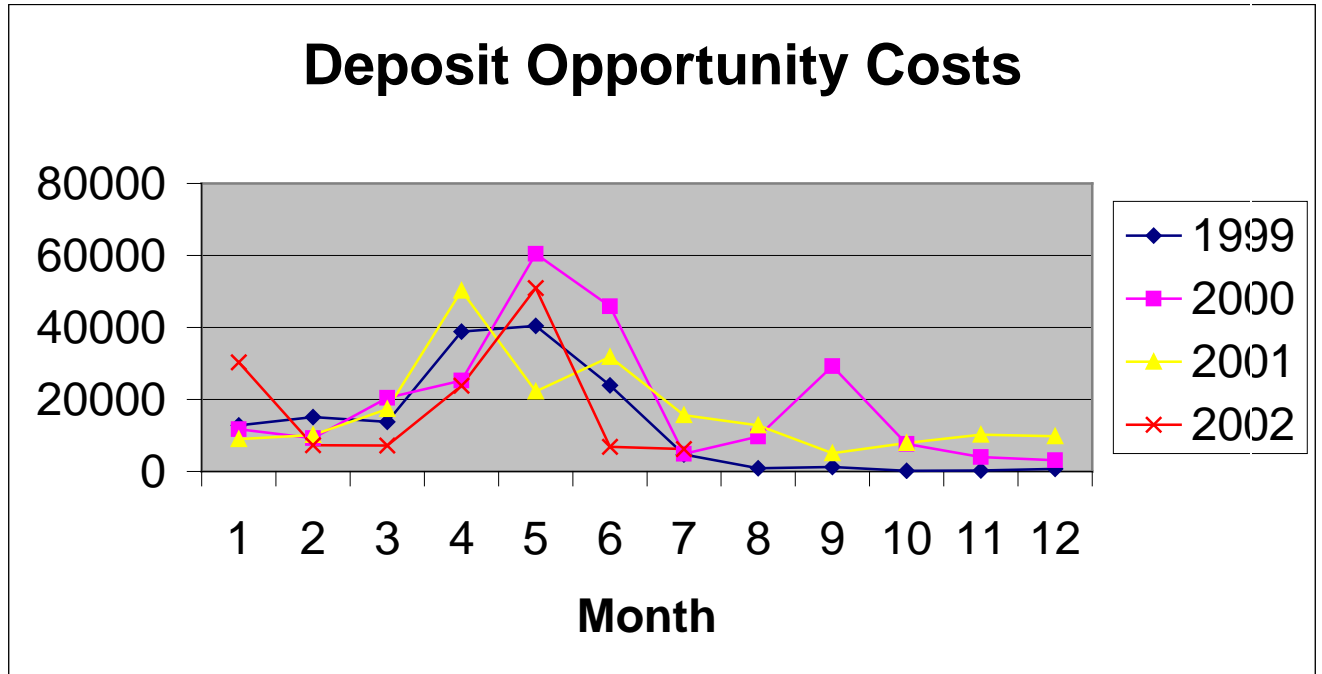


Fig. 7.6.7

Elements of Malcolm Baldrige Award Criteria for
South Carolina's Annual Accountability Report

Category 1 – Leadership

The Leadership Category explains the organization's leadership system and senior leaders' personal leadership skills. It describes how senior leaders set direction, performance expectations and address values, as well as how they focus on measures and responsibilities to their community.

1. How do senior leaders set, deploy and communicate: a) short and long term direction, b) performance expectations, c) organizational values, d) empowerment and innovation, e) organizational and employee learning, and f) ethical behavior?
2. How do senior leaders establish and promote a focus on customers?
3. What key performance measures are regularly reviewed by your senior leaders? (Actual results are to be reported in Category 7).
4. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?
5. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?
6. How does senior leadership set and communicate key organizational priorities for improvement?
7. How does senior leadership and the agency actively support and strengthen the community? Include how you identify and determine areas of emphasis.

Category 2 – Strategic Planning

The Strategic Planning Category describes your organization's strategy development process and how strategy and plans are deployed and performance is tracked.

1. What is your Strategic Planning process, including participants, and how does it account for:
 - * Customer needs and expectations
 - * Financial, societal and other risks
 - * Human resource capabilities and needs
 - * Operational capabilities and needs
 - * Supplies/contractor/partner capabilities and needs

Note: Strategy development refers to your organization's approach (formal or informal) to a future-oriented basis for business decision, resource allocations and management to include how

relevant data and information are gathered and analyzed. Such development might use various types of forecasts, projections, options, scenarios or other approaches to address the future.

2. How do you develop and track action plans that address your key strategic objectives?

Note: Include how you allocate resources to ensure accomplishment of your action plans.

3. How do you communicate and deploy your strategic objectives, action plans and performance measures?

Category 3 – Customer Focus

The Customer Focus Category describes how your organization identifies its customers and their requirements. Also examined is how your organization builds relationships with customers and determines their satisfaction.

Note: This category addresses external customers only – those outside of the organization. Differing requirements may exist for your various customer groups.

1. Identify key customers and stakeholders.
2. How do you determine who your customers are and what their key requirements are?
3. How do you keep your listening and learning methods current with changing customer/business needs?
4. How do you use information from customers/stakeholders to improve services or programs?
5. How do you measure customer/stakeholder satisfaction?
6. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

Category 4 – Information and Analysis

The Information and Analysis category describes your organization's performance measurement system and how your organization analyzes performance data and information.

Note: The term information and analysis refers to the key measurements used by your organization to analyze performance. Because of the key nature of the data and information, they should be linked to the organization's operations, systems and processes described in your Business Overview and Category 5 – Process Management.

1. How do you decide which operations, processes and systems to measure?

2. How do you ensure data quality, reliability, completeness and availability for decision making?
3. How do you use data/information analysis to provide effective support for decision making?
4. How do you select and use comparative data and information?

Note: Analysis includes trends, projections, comparisons, and cause-effect correlation intended to support performance reviews and the setting of priorities for resource use. Analysis draws upon many types of data including customer related, financial, mission requirements, operational, competitive, and others. (Results are reported in Category 7).

Category 5 – Human Resources

This Category describes how your organization enables employees to develop and utilize their full potential, aligned with the organization's objectives. It also describes how work environment and organizational climate improvement efforts are used to ensure full employee participation, growth and satisfaction.

Note: The term employees refers to your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include managers and supervisors at all levels. Contract employees supervised by a contractor performing support processes should be addressed in Category 5 – Process Management.

1. How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?
2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?
3. How does your employee performance management system, including feedback to and from employees, support high performance?
4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?
5. How do you maintain a safe and healthy work environment?
6. What is the extent of your involvement in the community?

Category 6 – Process Management

This Category describes key aspects of your organization's process management, including customer-focused design, product and service delivery, support, and supplier/contractor/partnering process involving all work units.

1. What are your key design and delivery processes for products/services, and how do you incorporate new technology, changing customer and mission-related requirements, into these design and delivery processes and systems?

Note: Product and service design, production, and delivery differ greatly among organizations, depending on many factors. These factors include the nature of your products and services, technology requirements, customer and supplier relationships and involvement, and product and service customization. Please address only the most critical requirements for your organization.

2. How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?
3. What are your key support processes, and how do you improve and update these processes to achieve better performance?

Note: Support processes are those that support your organization's products/services design, productivity and delivery processes and operations. For many organizations, this might include information and knowledge management, finance and accounting, facilities management, research and development, administration, inter-governmental relations, legislative and public affairs and sales/marketing. Please address those key support processes unique to your organization and how you operate.

4. How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

Note: The term supplier refers to other organizations that provide you with goods and services.

Category 7 – Results

This Category describes your organization's performance and improvements in: customer satisfaction, product and service performance, financial, mission accomplishment, employee results, supplier and partner results and operational performance. Information is typically displayed by the use of performance measures.

1. What are your performance levels and trends for the key measures of customer satisfaction?
2. What are your performance levels and trends for the key measures of mission accomplishment?
3. What are your performance levels and trends for the key measures of employee satisfaction, involvement and development?

4. What are your performance levels and trends for the key measures of supplier/contractor/partner performance?
5. What are your performance levels and trends for the key measures of regulatory/legal compliance and citizenship?
6. What are your current levels and trends of financial performance?